

November 11, 2011

Via electronic submission (reg-comm@fca.gov)

Mr. Gary K. Van Meter, Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Subject: Proposed Rule on Investment Management

Dear Mr. Van Meter:

Colonial Farm Credit appreciates the opportunity to comment on the Farm Credit Administration's (FCA) proposed rule regarding investment management. We endorse the comments made in the letter submitted by the Farm Credit Council on behalf of Farm Credit System (System) institutions. The following comments elaborate on some of the proposed changes pertinent to System associations.

615.5133 Investment Management:

General Comments - We support proposals that will truly enhance the safe and sound management of investments. However, the economic impact of certain proposals on small associations such as ours could be profound. Most associations simply cannot afford the investment management expertise found at the bank level. While we recognize the boards and management of associations have a fiduciary duty to manage investments in a safe and sound manner, we depend upon our funding bank to advise us regarding unwise investment decisions in their role as approver of our investments. In addition, requiring associations to add unnecessary investment management committees, policies, analyses, and reports increases expenses and decreases the benefit to our stockholders of diversifying investments to augment income and/or reduce interest rate risk.

Internal Controls – We support the modification to the internal controls requirements for investment transactions and the review of investments at the time of purchase by our internal auditors providing such controls allow flexibility dependent upon the type and scale of investment activities. We strongly support limiting the proposed annual risk assessment of the investment function for smaller and less complex investment portfolios. We encourage the FCA to set a de minimis investment portfolio amount relative to an association's total assets or total capital. Investment portfolios under this amount should not be subject to annual risk assessments.

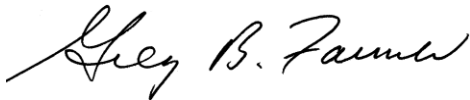
Due Diligence to Determine Eligibility, Suitability, and Value of Investments: We support the proposal to make due diligence requirements more robust and less burdensome.

- 1) Eligibility and Suitability for Purchase: We support the strengthening of the due diligence process related to the purchase of an investment and improving the documentation related to this decision. We strongly support limiting the degree of due diligence commensurate to the complexity and risk of the security.
- 2) Pre-Purchase and Quarterly Stress Testing: We do not support the pre-purchase stress testing of government guaranteed investments. Nor do we support quarterly stress testing for fixed rate government guaranteed investments. We strongly support tailoring the methodology used to analyze investments to the complexity, structure, and cash flows of the portfolio. In addition, we advocate the establishment of a de minimis limit for stress testing of non-government guaranteed investments.
- 3) Ongoing Value Determination: We support the proposed requirement to evaluate the credit quality and price sensitivity of investments, providing fixed rate government guaranteed investments are excluded.

Investment Plan and Investment Oversight Committee: We do not support the proposed establishment of an investment oversight committee separate from the asset/liability management committee for smaller associations and/or those with less complex investment portfolios. Likewise, a formal investment plan is not warranted in the latter instance.

Again, we appreciate the opportunity to comment on the proposed investment management rule. Please do not hesitate to contact us if you have questions concerning our comments.

Sincerely,

A handwritten signature in black ink, reading "Greg B. Farmer". The signature is fluid and cursive, with the first name "Greg" being more prominent.

Greg B. Farmer
President and Chief Executive Officer